GOVERNMENT OF INDIA
FINANCE
LOK SABHA

UNSTARRED QUESTION NO:3289
ANSWERED ON:07.12.2007
EXORBITANT RATE OF INTEREST ON CREDIT CARD TRANSACTION
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Will the Minister of FINANCE be pleased to state:

(a) whether the Government is aware that in some cases banks are charging more than 30% interest from credit-card holders;

(b) if so, the reasons therefor; and

(c) the steps being taken by the Government to rationalize this?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF FINANCE (SHRI PAWAN KUMAR BANSAL)

(a) to (c) : As per Master Circular on Credit Card operations dated 2nd July, 2007 issued by Reserve Bank of India (RBI), credit card dues are in the nature of non-priority sector personal loans and as such banks are free to determine the rate of interest on credit card dues without reference to their Benchmark Prime Lending Rate (BPLR) and regardless of the size. However, RBI has advised the banks that the annualized percentage rate (APR), the method of calculation of APR, late payment charges including the method of calculation, the manner in which the outstanding unpaid amount is to be included for calculation of interest, etc. on credit card dues should be indicated by card issuing banks in the `Welcome Kit` and monthly statement. Banks have also been advised not to levy any charge that was not explicitly indicated to the cardholder at the time of issue of card and getting his / her consent. Further, credit card scenario is being constantly monitored and instructions to banks on their credit card operations are issued by the RBI, on an ongoing basis.